

MORRIS COUNTY UNIFIED SCHOOL DISTRICT NO. 417

Council Grove, Kansas

STATUTORY BASIS FINANCIAL STATEMENTS

Year Ended June 30, 2010

ALDRICH AND COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS
COUNCIL GROVE, KANSAS

Morris County Unified School District No. 417
Council Grove, Kansas

STATUTORY BASIS FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010
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Morris County Unified School District No. 417
Council Grove, Kansas

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ALDRICH & COMPANY, LLC

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Board of Education
Morris County USD No. 417
Council Grove, KS 66846

We have audited the accompanying statutory basis financial statements of Morris County Unified School District No. 417, Council Grove, Kansas as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of Unified School District No. 417, Council Grove, Kansas management. Our responsibility is to express an opinion on these statutory basis financial statements based on our audit. The prior year partial comparative information has been derived from the District's June 30, 2009 financial statements and, in our report dated October 7, 2009, we expressed a qualified opinion on the respective financial statements, taken as a whole, on the statutory basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the guidance in the Kansas Municipal Audit Guide, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 3, the financial statements report a cash receipt for the final state aid payment as of June 30th, even though the payment was actually received after June 30th. This is a departure from the basis of accounting required for financial statement presentations in accordance with the Kansas Municipal Audit Guide which requires that cash receipts be reported when received.

As described more fully in Note 2, USD 417 prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principals generally accepted in the United States of America, although not reasonable determinable is presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of USD 417, Council Grove, Kansas, as of June 30, 2010, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Also, in our opinion, except for the effects of the matter discussed above regarding the reporting of the final state aid payment, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Unified School District No. 417, Council Grove, Kansas, as of June 30, 2010, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2011, on our consideration of Unified School District 417's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the USD 417, Council Grove, Kansas' financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Aldrich Company, LLC

ALDRICH AND COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

January 26, 2011

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Fiscal Year Ended June 30, 2010

	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General Fund	\$ 0	\$ 0	\$ 5,523,680	\$ 5,523,680	\$ 0	\$ 19,835	\$ 19,835
Supplemental General - L.O. B.	34,624	0	1,574,567	1,600,000	9,191	170,349	179,540
Special Revenue Funds							
At Risk Four Year Old	11,146	0	31,635	27,237	15,544	0	15,544
At Risk (K-12)	13,585	0	608,150	617,328	4,407	0	4,407
Vocational Education	11,675	0	192,513	182,665	21,523	13,090	34,613
Special Education	394,903	0	813,759	856,746	351,916	0	351,916
Food Service	132,535	0	473,959	471,363	135,131	867	135,998
Driver Training	35,717	0	9,550	6,480	38,787	1,000	39,787
Capital Outlay	651,106	0	219,132	149,522	720,716	76,217	796,933
Summer School	18,880	0	620	660	18,840	0	18,840
Professional Development	22,895	0	42,000	21,460	43,435	0	43,435
Extraordinary School Program	15,056	0	42,807	36,850	21,013	0	21,013
KPERS Retirement	0	0	395,683	395,683	0	0	0
Gifts and Grants	11,837	0	7,166	300	18,703	0	18,703
Textbook Rental	78,400	0	21,516	15,312	84,604	484	85,088
Contingency Reserve	288,285	0	0	0	288,285	0	288,285
Title I	0	0	209,451	209,451	0	882	882
Title IID - Educational Technology	0	0	3,889	3,889	0	0	0
Title IIA - Improving Teacher Quality	0	0	43,604	43,604	0	0	0
Title IV - Safe & Drug Free Schools	0	0	2,639	2,639	0	0	0
Rural Education	0	0	12,178	12,178	0	0	0
School Imp (1003a)	0	0	10,500	9,551	949	0	949
District Activity Funds	12,653	0	91,695	91,899	12,449	0	12,449
Debt Service Fund							
Bond & Interest	421,657	0	472,732	547,330	347,059	0	347,059
Capital Project Fund							
School Improvement Fund	2,889,181	0	82,012	752,731	2,218,462	1,378,847	3,597,309
Fiduciary Type Funds							
Private Purpose Trust Funds	9,240	0	3,542	1,129	11,653	0	11,653
Total Reporting Entity - (Excluding Agency Funds)	<u>\$ 5,053,375</u>	<u>\$ 0</u>	<u>\$ 10,888,979</u>	<u>\$ 11,579,687</u>	<u>\$ 4,362,667</u>	<u>\$ 1,661,571</u>	<u>\$ 6,024,238</u>

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 1(Cont)

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Fiscal Year Ended June 30, 2010

Composition of Cash:

Petty Cash on Hand	\$ 200
U.S.D. 417 Checking & Savings Accounts:	
Farmers & Drovers Bank, Council Grove, Kansas	921,873
Farmers & Drovers Bank School Imp	3,597,309
Farmers State Bank, Dwight, Kansas	86,066
Alta Vista State Bank, Alta Vista, Kansas	105,071
Emprise Bank, Council Grove, Kansas	19,466
Kansas Municipal Investment Pool	0
Activity Funds Checking Accounts:	
Farmers & Drovers Bank, Council Grove, Kansas	43,859
Farmers State Bank, Dwight, Kansas	1,220
Alta Vista State Bank, Alta Vista, Kansas	9,475
Certificates of Deposit:	
Farmers & Drovers Bank, Council Grove, Kansas	450,000
Farmers State Bank, Dwight, Kansas	350,000
Alta Vista State Bank, Alta Vista, Kansas	<u>480,000</u>
Total Cash	6,064,539
Less Agency Funds per Statement 4	<u>(40,301)</u>
Total Reporting Entity	<u>\$ 6,024,238</u>

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 2

Summary of Expenditures – Actual and Budget
(Budgeted Funds Only)
For the Fiscal Year Ended June 30, 2010

Governmental Type Funds	Certified Budget	Adjustment to Comply With Legal Max.	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General Fund	\$ 5,908,153	\$ (404,893)	\$ 20,420	\$ 5,523,680	\$ 5,523,680	\$ 0
Supplemental General - L.O.B.	1,600,000			1,600,000	1,600,000	0
Special Revenue Funds						
At Risk Four Year Old	42,781			42,781	27,237	15,544
At Risk (K-12)	661,257			661,257	617,328	43,929
Vocational Education	186,676			186,676	182,665	4,011
Special Education	1,220,040			1,220,040	856,746	363,294
Food Service	796,267			796,267	471,363	324,904
Driver Training	33,546			33,546	6,480	27,066
Capital Outlay	785,469			785,469	149,522	635,947
Summer School	18,880			18,880	660	18,220
Professional Development	62,895			62,895	21,460	41,435
Extraordinary School Program	54,556			54,556	36,850	17,706
KPERS Retirement	467,147			467,147	395,683	71,464
Gifts and Grants	11,837			11,837	300	11,537
Bond Service Fund						
Bond & Interest	547,330			547,330	547,330	0

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

GENERAL FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem Current Tax	\$ 963,260	\$ 907,651	\$ 889,065	\$ 18,586
Delinquent Tax	10,725	7,467	12,329	(4,862)
Mineral Production Tax	2,935	599	0	599
Machinery & Equipment	2,699	0	0	0
Miscellaneous Income	17,855	20,420	0	20,420
State Sources				
General State Aid	4,514,848	3,710,768	4,049,193	(338,425)
Speical Education Aid	672,573	603,734	684,525	(80,791)
ARRA Stabilization	0	273,041	273,041	0
Total Cash Receipts	<u>6,184,895</u>	<u>5,523,680</u>	<u>5,908,153</u>	<u>(384,473)</u>
Expenditures				
Instruction				
Salaries Certified	2,382,991	2,369,565	2,516,412	146,847
Salaries Non-certified	137,032	88,031	126,090	38,059
Employee Benefits	549,098	568,134	576,553	8,419
Purchased Professional & Technical Services	1,652	24	1,734	1,710
Other Purchased Services	15,382	0	0	0
Supplies	163,155	12,772	43,328	30,556
Property	2,690	787	0	(787)
Other	5,367	15	0	(15)
Student Support Services				
Salaries Certified	146,994	143,934	149,934	6,000
Salaries Non-certified	31,035	29,209	32,586	3,377
Employee Benefits	18,173	20,898	19,082	(1,816)
Other Purchased Services	665	0	0	0
Supplies	1,421	0	0	0
Instruction Support Staff				
Salaries Certified	94,631	88,798	96,524	7,726
Employee Benefits	17,642	18,905	18,524	(381)
Supplies	4,967	4,914	0	(4,914)
Property	0	0	0	0
General Administration				
Salaries Certified	98,394	90,671	100,362	9,691
Salaries Non-certified	49,445	46,039	51,918	5,879
Employee Benefits	24,394	26,156	25,613	(543)
Purchased Professional & Technical Services	11,949	0	0	0
Other Purchased Services	11,348	0	0	0
Supplies	13,008	115	0	(115)
Property	1,332	0	0	0
Other	13,920	0	0	0
Expenditures Subtotal	<u>\$ 3,796,685</u>	<u>\$ 3,508,967</u>	<u>\$ 3,758,660</u>	<u>\$ 249,693</u>

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3 (Cont.)

Statement of Cash Receipts and Expenditures – Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

GENERAL FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Expenditures Carried Forward	\$ 3,796,685	\$ 3,508,967	\$ 3,758,660	\$ 249,693
School Administration				
Salaries Certified	377,386	227,650	384,934	157,284
Salaries Non-Certified	113,190	102,165	118,849	16,684
Employee Benefits	91,613	97,091	96,193	(898)
Other Purchased Services	2,164	0	0	0
Supplies	4,225	1,246	0	(1,246)
Property	653	0	0	0
Operations & Maintenance				
Salaries Non-certified	191,415	0	0	0
Employee Benefits	74,699	5,314	0	(5,314)
Purchased Property Services	0	0	0	0
Supplies	482	0	0	0
Property	0	0	0	0
Student Transportation Services				
Salaries Non-Certified	20,439	18,516	20,848	2,332
Employee Benefits	3,853	4,077	4,046	(31)
Vehicle Operating Services				
Salaries Non-Certified	134,519	127,615	137,209	9,594
Employee Benefits	55,193	64,066	57,953	(6,113)
Other Purchased Services	9,394	0	0	0
Suppleis (w/ motor fuel)	49,257	0	0	0
Other	1,410	0	0	0
Vehicle Services & Maintenance Services				
Salaries Non-Certified	27,977	33,394	28,537	(4,857)
Employee Benefits	6,290	7,620	6,605	(1,015)
Purchased Property Services	5,337	0	0	0
Other Purchased Services	910	0	0	0
Supplies	10,373	0	0	0
Other	916	0	0	0
Other Supplemental Service				
Salaries Non-Certified	36,743	33,890	37,478	3,588
Employee Benefits	8,252	8,843	8,665	(178)
Purchased Professional & Technical Services	2,266	0	0	0
Purchased Property Services	0	0	0	0
Supplies	644	0	0	0
Property	0	0	0	0
Expenditures Subtotal	<u>\$ 5,026,285</u>	<u>\$ 4,240,454</u>	<u>\$ 4,659,977</u>	<u>\$ 419,523</u>

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3 (Cont.)

Statement of Cash Receipts and Expenditures – Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

GENERAL FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Expenditures Carried Forward	\$ 5,026,285	\$ 4,240,454	\$ 4,659,977	\$ 419,523
Fund Transfers				
Special Education	703,780	604,450	738,969	134,519
Extraordinary School Program	0	10,000	0	(10,000)
Food Service	0	8,991	0	(8,991)
Professional Development	0	20,000	0	(20,000)
At Risk Four Year Old	0	31,635	31,635	0
At Risk (K-12)	454,830	608,150	477,572	(130,578)
Textbook & Student Materials	0	0	0	0
Adjustment to Comply with Legal Max.	0	0	(404,893)	(404,893)
Legal General Fund Budget	6,184,895	5,523,680	5,503,260	(20,420)
Adjustment for Qualifying Budget Credits	0	0	20,420	20,420
Total Expenditures & Transfers	<u>6,184,895</u>	<u>5,523,680</u>	<u>\$ 5,523,680</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, July 1	0	0		
Unencumbered Cash, June 30	<u>\$ 0</u>	<u>\$ 0</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-1

Statement of Cash Receipts and Expenditures – Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

SUPPLEMENTAL GENERAL – LOCAL OPTION BUDGET

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem Current Tax	\$ 832,661	\$ 1,009,742	\$ 980,394	\$ 29,348
Delinquent Tax	9,975	7,688	10,772	(3,084)
Motor Vehicle Tax	75,026	75,809	95,935	(20,126)
16-20M Truck Tax	5,392	5,817	0	5,817
Machinery & Equipment	882	0	0	0
Recreational Vehicle Tax	2,105	2,220	2,499	(279)
State Sources				
Supplemental State Aid	367,250	353,266	475,776	(122,510)
ARRA	0	120,025	0	120,025
Total Cash Receipts	1,293,291	1,574,567	1,565,376	9,191
Expenditures				
Instruction				
Salaries Certified	0	0	7,224	7,224
Salaries Non-certified	0	0	0	0
Employee Benefits	0	903	0	(903)
Purchased Professional & Technical Services	695	16,583	730	(15,853)
Other Purchased Services	70	17,547	16,074	(1,473)
Supplies	119,366	147,614	90,314	(57,300)
Property	11,464	89,280	0	(89,280)
Other	0	182	0	(182)
Student Support Services				
Other Purchased Services	0	713	698	(15)
Supplies	0	511	1,492	981
Instructional Support				0
Supplies	5,884	4,072	6,501	2,429
Property	1,493	999	0	(999)
General Administration				
Purchased Professional & Technical Services	376	11,287	12,546	1,259
Other Purchased Services		6,813	7,267	454
Supplies	450	6,767	10,000	3,233
Other	82	21,817	20,278	(1,539)
School Administration				
Salaries Certified	0	120,025	0	(120,025)
Salaries Non-Certified	0	0	0	0
Employee Benefits	0	500	0	(500)
Other Purchased Services	0	3,636	2,272	(1,364)
Supplies	0	2,831	4,000	1,169
Other	0	68	0	(68)
Expenditures Subtotal	139,880	452,148	179,396	(272,752)

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-1(Cont.)

Statement of Cash Receipts and Expenditures – Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

SUPPLEMENTAL GENERAL – LOCAL OPTION BUDGET

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Expenditures Carried Forward	\$ 139,880	\$ 452,148	\$ 179,396	\$ (272,752)
Operations & Maintenance				
Salaries Non-Certified	0	188,996	200,986	11,990
Employee Benefits	0	74,351	78,433	4,082
Purchased Property Services	66,063	81,903	30,568	(51,335)
Other Purchased Services	52,661	62,255	51,428	(10,827)
Supplies	184,773	181,097	167,619	(13,478)
Property	639	1,799	0	(1,799)
Other	297	68	0	(68)
Vehicle Operating Services				
Purchased Property Services	0	2,260	5,604	3,344
Other Purchased Services	0	9,599	62,539	52,940
Supplies	620	59,442	10,000	(49,442)
Property	0	0	900	900
Other	0	1,929	1,481	(448)
Other Supplemental Service				
Salaries Non-Certified	0	0	0	0
Employee Benefits	0	0	0	0
Purchased Professional & Technical Services	0	0	2,379	2,379
Purchased Property Services	0	2,379	0	(2,379)
Supplies	0	425	770	345
Property	0	0	0	0
Fund Transfers				0
Extraordinary School Program	10,000	5,000	10,500	5,500
Vocational Education	200,000	186,776	175,000	(11,776)
Food Service	173,870	58,573	182,564	123,991
Professional Development	60,750	22,000	40,000	18,000
At Risk Four Year Old	0	0	0	0
At Risk (K-12)	162,000	0	170,100	170,100
Drivers Education	10,654	0	0	0
Summer School	19,000	0	0	0
Special Education	218,793	209,000	229,733	20,733
Total Expenditures	<u>1,300,000</u>	<u>1,600,000</u>	<u>\$ 1,600,000</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	(6,709)	(25,433)		
Unencumbered Cash, July 1	<u>41,333</u>	<u>34,624</u>		
Unencumbered Cash, June 30	<u>\$ 34,624</u>	<u>\$ 9,191</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-2

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

AT RISK FOUR YEAR OLD

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Transfer from General	\$ 0	\$ 31,635	\$ 31,635	\$ 0
Transfer from Supplemental General	0	0	0	0
Total Cash Receipts	<u>0</u>	<u>31,635</u>	<u>31,635</u>	<u>0</u>
Expenditures				
Instruction				
Certified	16,594	16,850	34,158	17,308
Non-Certified	5,860	7,417	6,153	(1,264)
Employee Benefits	1,711	1,846	1,797	(49)
Other Purchased Services	0	195	0	(195)
Supplies	0	81	0	(81)
Other	641	848	673	(175)
Total Expenditures	<u>24,806</u>	<u>27,237</u>	<u>\$ 42,781</u>	<u>\$ 15,544</u>
Receipts Over (Under) Expenditures	(24,806)	4,398		
Unencumbered Cash, July 1	<u>35,952</u>	<u>11,146</u>		
Unencumbered Cash, June 30	<u>\$ 11,146</u>	<u>\$ 15,544</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-3

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

AT RISK (K – 12)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Transfer from General	\$ 454,830	\$ 608,150	\$ 477,572	\$ 130,578
Transfer from Supplemental General	162,000	0	170,100	(170,100)
Total Cash Receipts	<u>616,830</u>	<u>608,150</u>	<u>647,672</u>	<u>(39,522)</u>
Expenditures				
Instruction				
Certified	497,410	491,000	549,535	58,535
Non-Certified	3,494	16,608	3,669	(12,939)
Employee Benefits	102,900	109,720	108,046	(1,674)
Supplies	7	0	7	7
Other	0	0	0	0
Total Expenditures	<u>603,811</u>	<u>617,328</u>	<u>\$ 661,257</u>	<u>\$ 43,929</u>
Receipts Over (Under) Expenditures	13,019	(9,178)		
Unencumbered Cash, July 1	566	13,585		
Unencumbered Cash, June 30	<u>\$ 13,585</u>	<u>\$ 4,407</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-4

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

VOCATIONAL EDUCATION FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Transfer from General	\$ 200,000	\$ 0	\$ 0	\$ 0
Transfer from Supplemental General	0	186,776	175,000	11,776
Other Local Revenue	5,426	5,737	0	5,737
Total Cash Receipts	<u>205,426</u>	<u>192,513</u>	<u>175,000</u>	<u>17,513</u>
Expenditures				
Instruction				
Certified	146,799	131,024	126,106	(4,918)
Employee Benefits	28,640	23,221	30,073	6,852
Other Purchased Services	18,785	7,383	19,724	12,341
Supplies	10,261	14,589	10,773	(3,816)
Property	0	6,448	0	(6,448)
Total Expenditures	<u>204,485</u>	<u>182,665</u>	<u>\$ 186,676</u>	<u>\$ 4,011</u>
Receipts Over (Under) Expenditures	941	9,848		
Unencumbered Cash, July 1	<u>10,734</u>	<u>11,675</u>		
Unencumbered Cash, June 30	<u>\$ 11,675</u>	<u>\$ 21,523</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-5

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

SPECIAL EDUCATION FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Transfer from General	\$ 703,780	\$ 604,450	\$ 738,969	\$ (134,519)
Transfer from Supplemental General	218,793	209,000	229,733	(20,733)
Other Local Revenues	415	309	0	309
Total Cash Receipts	<u>922,988</u>	<u>813,759</u>	<u>968,702</u>	<u>(154,943)</u>
Expenditures				
Instruction				
Salaries Certified	588	0	617	617
Salaries Non-Certified	1,632	353	1,714	1,361
Employee Benefits	162	8	170	162
Other Purchased Services	835,516	807,282	877,292	70,010
Supplies	691	609	725	116
Equipment	0	0	300,000	300,000
Student Transportation				
Salaries Non-Certified	19,069	28,473	20,022	(8,451)
Employee Benefits	4,590	7,112	4,819	(2,293)
Other Purchased Services	3,084	1,931	3,239	1,308
Supplies	10,897	10,978	11,442	464
Equipment	0	0	0	0
Total Expenditures	<u>876,229</u>	<u>856,746</u>	<u>\$ 1,220,040</u>	<u>\$ 363,294</u>
Receipts Over (Under) Expenditures	46,759	(42,987)		
Unencumbered Cash, July 1	<u>348,144</u>	<u>394,903</u>		
Unencumbered Cash, June 30	<u>\$ 394,903</u>	<u>\$ 351,916</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-6

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

FOOD SERVICE FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Intergovernmental Receipts				
Federal Aid	\$ 188,198	\$ 200,005	\$ 256,318	\$ (56,313)
State Aid	5,067	4,663	6,930	(2,267)
Food Service				
Student Sales	184,358	184,920	249,250	(64,330)
Adult & Student (non-reimbursement)	22,909	16,726	25,370	(8,644)
Miscellaneous	40	81	0	81
Transfer from General	0	8,991	0	8,991
Transfer from Supplemental General	173,870	58,573	182,564	(123,991)
Total Cash Receipts	<u>574,442</u>	<u>473,959</u>	<u>720,432</u>	<u>(246,473)</u>
Expenditures				
Operations & Maintenance				
Employee Benefits Other	8,569	7,742	8,997	1,255
Purchased Property Services	1,808	1,320	2,014	694
Other Purchased Services	1,801	805	1,776	971
Property	0	0	249,967	249,967
Supplies	7,343	0	7,710	7,710
Food Service Operation				
Salaries	168,111	155,214	176,517	21,303
Employee Benefits	46,341	44,643	48,658	4,015
Other Purchased Services	222	179	233	54
Supplies	284,449	261,460	298,672	37,212
Property	1,641	0	1,723	1,723
Total Expenditures	<u>520,285</u>	<u>471,363</u>	<u>\$ 796,267</u>	<u>\$ 324,904</u>
Receipts Over (Under) Expenditures	54,157	2,596		
Unencumbered Cash, July 1	<u>78,378</u>	<u>132,535</u>		
Unencumbered Cash, June 30	<u>\$ 132,535</u>	<u>\$ 135,131</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-7

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

DRIVER TRAINING FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State Driver Training	\$ 2,584	\$ 2,200	\$ 3,500	\$ (1,300)
Payments from Individuals	3,320	7,350	4,000	3,350
Transfer from Supplemental General	10,654	0	0	0
Total Cash Receipts	<u>16,558</u>	<u>9,550</u>	<u>7,500</u>	<u>2,050</u>
Expenditures				
Instruction				
Salaries Certified	10,904	3,953	11,449	7,496
Salaries Non-Certified	658	384	691	307
Employee Benefits	1,173	367	1,232	865
Supplies	0	0	0	0
Vehicle Operations & Maintenance				
Salaries Non-Certified	436	260	458	198
Employee Benefits	33	20	36	16
Purchased Services	266	0	280	280
Motor Fuel	2,502	1,496	2,627	1,131
Property	0	0	16,773	16,773
Total Expenditures	<u>15,972</u>	<u>6,480</u>	<u>\$ 33,546</u>	<u>\$ 27,066</u>
Receipts Over (Under) Expenditures	586	3,070		
Unencumbered Cash, July 1	<u>35,131</u>	<u>35,717</u>		
Unencumbered Cash, June 30	<u>\$ 35,717</u>	<u>\$ 38,787</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-8

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

CAPITAL OUTLAY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
General Property Tax				
Ad Valorem Current Tax	\$ 214,877	\$ 104,063	\$ 104,504	\$ (441)
Delinquent Tax	3,075	2,155	2,770	(615)
Motor Vehicle Tax	22,985	20,748	26,401	(5,653)
16-20M Truck Tax	1,739	1,640	0	1,640
Recreational Vehicle Tax	645	608	688	(80)
Interest on Idle Funds	44,027	51,840	0	51,840
Other Local Revenues	24,314	37,709	0	37,709
State Aid	30,748	0	0	0
Federal Aid - Flood Allocation	492	369	0	369
Total Cash Receipts	<u>342,902</u>	<u>219,132</u>	<u>134,363</u>	<u>84,769</u>
Expenditures				
Property & Equipment	8,747	7,298	306,826	299,528
Facility Acquisition & Construction				
Land Acquisition	45,443	0	47,715	47,715
Land Improvement	8,900	0	9,345	9,345
Architectural & Engineering Services	1,520	0	1,596	1,596
Building Improvements				
Salaries Non-Certified	44,734	43,977	46,971	2,994
Fringe Benefits	8,554	8,736	8,982	246
Outside Contractors	84,802	89,511	364,034	274,523
Total Expenditures	<u>202,700</u>	<u>149,522</u>	<u>\$ 785,469</u>	<u>\$ 635,947</u>
Receipts Over (Under) Expenditures	140,202	69,610		
Unencumbered Cash, July 1	510,904	651,106		
Unencumbered Cash, June 30	<u>\$ 651,106</u>	<u>\$ 720,716</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-9

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

SUMMER SCHOOL

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Fees	\$ 2,980	\$ 620	\$ 0	\$ 620
Transfer from Supplemental General	19,000	0	0	0
Total Cash Receipts	<u>21,980</u>	<u>620</u>	<u>0</u>	<u>620</u>
Expenditures				
Instruction				
Salaries Certified	13,328	620	16,260	15,640
Employee Benefits	1,368	40	1,436	1,396
Supplies	156	0	164	164
Operations & Maintenance				
Supplies	171	0	180	180
Student Transportation				
Salaries Non-Certified	742	0	779	779
Employee Benefits	57	0	61	61
Total Expenditures	<u>15,822</u>	<u>660</u>	<u>\$ 18,880</u>	<u>\$ 18,220</u>
Receipts Over (Under) Expenditures	6,158	(40)		
Unencumbered Cash, July 1	<u>12,722</u>	<u>18,880</u>		
Unencumbered Cash, June 30	<u>\$ 18,880</u>	<u>\$ 18,840</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-10

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

PROFESSIONAL DEVELOPMENT

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State Inservice Aid	\$ 8,701	\$ 0	\$ 0	\$ 0
Transfer from General	0	20,000	0	20,000
Transfer from Supplemental General	60,750	22,000	40,000	(18,000)
Total Receipts	<u>69,451</u>	<u>42,000</u>	<u>40,000</u>	<u>2,000</u>
Expenditures				
Instructional Support Staff				
Salaries Certified	33,223	14,071	36,050	21,979
Employee Benefits	2,428	1,067	2,879	1,812
Purchased Professional & Technical Services	3,127	0	3,283	3,283
Other Purchased Services	17,396	722	13,632	12,910
Supplies	6,338	3,363	6,655	3,292
Other	377	2,237	396	(1,841)
Other Supplemental Services				
Salaries Non-Certified	1,110	0	0	0
Employee Benefits	315	0	0	0
Total Expenditures	<u>64,314</u>	<u>21,460</u>	<u>\$ 62,895</u>	<u>\$ 41,435</u>
Receipts Over (Under) Expenditures	5,137	20,540		
Unencumbered Cash, July 1	<u>17,758</u>	<u>22,895</u>		
Unencumbered Cash, June 30	<u>\$ 22,895</u>	<u>\$ 43,435</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-11

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

EXTRAORDINARY SCHOOL PROGRAM

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Enrollment Fees	\$ 21,431	\$ 22,067	\$ 29,000	\$ (6,933)
Kansas State University - ASP Grant	34,987	0	0	0
JJA Grant	7,726	3,750	0	3,750
Grants & Donations	39	1,990	0	1,990
Transfer from General	0	10,000	0	10,000
Transfer from Supplemental General	10,000	5,000	10,500	(5,500)
Total Receipts	<u>74,183</u>	<u>42,807</u>	<u>39,500</u>	<u>3,307</u>
Expenditures				
Salaries	57,243	31,046	46,690	15,644
Employee Benefits	4,436	2,405	2,508	103
Other Purchased Services	1,537	0	21	21
Supplies	5,770	275	265	(10)
Other	5,150	3,124	5,072	1,948
Budget Credits	0	0	0	0
Total Expenditures	<u>74,136</u>	<u>36,850</u>	<u>\$ 54,556</u>	<u>\$ 17,706</u>
Receipts Over (Under) Expenditures	47	5,957		
Unencumbered Cash, July 1	<u>15,009</u>	<u>15,056</u>		
Unencumbered Cash, June 30	<u>\$ 15,056</u>	<u>\$ 21,013</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-12

Statement of Cash Receipts and Expenditures – Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

KPERS RETIREMENT

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State of Kansas KPERS	\$ 389,289	\$ 395,683	\$ 467,147	\$ (71,464)
Total Cash Receipts	<u>389,289</u>	<u>395,683</u>	<u>467,147</u>	<u>(71,464)</u>
Expenditures				
KPERS Retirement Contribution				
Instructional Employees	266,274	274,604	319,528	44,924
Student Support	15,182	13,849	18,218	4,369
Instructional Support	8,954	7,914	10,745	2,831
General Administration	15,182	12,266	18,218	5,952
School Administration	40,097	41,151	48,116	6,965
Other Supplemental Services	0	3,957	0	(3,957)
Operations & Maintenance	20,632	21,763	24,758	2,995
Student Transportation	8,954	5,935	10,745	4,810
Food Service	14,014	14,244	16,819	2,575
Total Expenditures	<u>389,289</u>	<u>395,683</u>	<u>\$ 467,147</u>	<u>\$ 71,464</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, July 1	<u>0</u>	<u>0</u>		
Unencumbered Cash, June 30	<u>\$ 0</u>	<u>\$ 0</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-13

Statement of Cash Receipts and Expenditures – Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

GIFTS AND GRANTS

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Contributions & Donations	\$ 0	\$ 7,166	\$ 0	\$ 7,166
Total Cash Receipts	<u>0</u>	<u>7,166</u>	<u>0</u>	<u>7,166</u>
Expenditures				
Purchased Professional & Technical Services	0	0	0	0
Supplies	1,287	300	11,837	11,537
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>1,287</u>	<u>300</u>	<u>\$ 11,837</u>	<u>\$ 11,537</u>
Receipts Over (Under) Expenditures	(1,287)	6,866		
Unencumbered Cash, July 1	<u>13,124</u>	<u>11,837</u>		
Unencumbered Cash, June 30	<u>\$ 11,837</u>	<u>\$ 18,703</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-14

Statement of Cash Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

TEXTBOOK RENTAL FUND

	Prior Year Actual	Current Year Actual
Cash Receipts		
Student Receipts	\$ 25,507	\$ 21,516
Transfer from General	0	0
Total Cash Receipts	<u>25,507</u>	<u>21,516</u>
Expenditures		
Textbooks & Materials	40,263	15,312
Other	0	0
Total Expenditures	<u>40,263</u>	<u>15,312</u>
Receipts Over (Under) Expenditures	(14,756)	6,204
Unencumbered Cash, July 1	<u>93,156</u>	<u>78,400</u>
Unencumbered Cash, June 30	<u>\$ 78,400</u>	<u>\$ 84,604</u>

Statement 3-15

CONTINGENCY RESERVE

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfer In	\$ 0	\$ 0
Total Cash Receipts	<u>0</u>	<u>0</u>
Expenditures		
Other	0	0
Total Expenditures	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash, July 1	<u>288,285</u>	<u>288,285</u>
Unencumbered Cash, June 30	<u>\$ 288,285</u>	<u>\$ 288,285</u>

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-16

Statement of Cash Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010

FEDERAL GRANTS

	Title I	Title II D Education Technology	Title II A Teacher Quality	Title IV Safe & Drug Free	Rural Education	1003a School Improvement	School Preparedness
Cash Receipts							
Intergovernmental							
Other	\$ 136,998	\$ 1,124	\$ 43,604	\$ 2,639	\$ 12,178	\$ 10,500	\$ 750
ARRA	<u>72,453</u>	<u>2,765</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Receipts	<u>209,451</u>	<u>3,889</u>	<u>43,604</u>	<u>2,639</u>	<u>12,178</u>	<u>10,500</u>	<u>750</u>
Expenditures							
Salaries Certified	68,933	1,124	43,604	2,639	12,178	5,814	0
Salaries Certified ARRA	47,406	0	0	0	0	0	0
Salaries Non-Certified	15,784	0	0	0	0	445	0
Employee Benefits	34,212	0	0	0	0	5	0
Employee Benefits ARRA	10,047	0	0	0	0	0	0
Purchased Prof & Tech Services	5,963	0	0	0	0	0	0
Purchased Prof & Tech Serv-ARRA	15,000	0	0	0	0	0	0
Purchased Services	1,485	0	0	0	0	89	0
Supplies	10,621	0	0	0	0	3,198	750
Property	<u>0</u>	<u>2,765</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>209,451</u>	<u>3,889</u>	<u>43,604</u>	<u>2,639</u>	<u>12,178</u>	<u>9,551</u>	<u>750</u>
Receipts Over (Under) Expenditures	0	0	0	0	0	949	0
Unencumbered Cash, July 1	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, June 30	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 949</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-17

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

BOND AND INTEREST FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
General Property Taxes				
Ad Valorem Tax	\$ 404,022	\$ 393,009	\$ 389,266	\$ 3,743
Delinquent Tax	1	1,847	5,325	(3,478)
Motor Vehicle (includes 16/20M tax)	0	11,866	12,563	(697)
Recreational Vehicle	0	330	327	3
Intergovernmental				
State Aid	27,626	65,680	65,680	0
Total Cash Receipts	<u>431,649</u>	<u>472,732</u>	<u>473,161</u>	<u>(429)</u>
Expenditures				
Principal	0	105,000	105,000	0
Interest	148,406	442,330	442,330	0
Commission & Postage	0	0	0	0
Total Expenditures	<u>148,406</u>	<u>547,330</u>	<u>\$ 547,330</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	283,243	(74,598)		
Unencumbered Cash, July 1	<u>138,414</u>	<u>421,657</u>		
Unencumbered Cash, June 30	<u>\$ 421,657</u>	<u>\$ 347,059</u>		

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-18

Statement of Cash Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

SCHOOL IMPROVEMENT FUND

	Prior Year Actual	Current Year Actual
Cash Receipts		
Bond Proceeds	\$ 9,371,094	\$ 0
Accrued Interest on Bonds	13,909	0
Investment Income	34,758	82,012
Total Cash Receipts	<u>9,419,761</u>	<u>82,012</u>
Expenditures		
Purchased Professional & Technical Services	107,275	10,897
Architectural & Engineering	293,468	87,600
New Building Construction	5,491,298	600,985
Site Improvement	3,500	0
Bond Insurance	48,750	0
Other Bond Expenses	84,456	53,249
Bond Principal Payment	500,000	0
Bond Interest Payment	1,833	0
Total Expenditures	<u>6,530,580</u>	<u>752,731</u>
Receipts Over (Under) Expenditures	2,889,181	(670,719)
Unencumbered Cash, July 1	<u>0</u>	<u>2,889,181</u>
Unencumbered Cash, June 30	<u>\$ 2,889,181</u>	<u>\$ 2,218,462</u>

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 3-19

Statement of Cash Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

PRIVATE PURPOSE TRUST FUNDS

	Prior Year Actual	Current Year Actual
Cash Receipts		
Other Local Revenue	\$ 8,789	\$ 3,542
Expenditures		
Student Activities	585	1,129
Excess of Receipts Over (Under) Expenditures	8,204	2,413
Unencumbered Cash, July 1	1,036	9,240
Unencumbered Cash, June 30	\$ 9,240	\$ 11,653

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 4

Statement of Cash Receipts and Cash Disbursements
For the Fiscal Year Ended June 30, 2010

AGENCY FUNDS

	Cash Balance 7/1/2009	Receipts	Disbursements	Cash Balance 6/30/2010
Student Organization Accounts				
Council Grove Elementary/Middle School				
Pep Club	\$ 91	\$ 0	\$ 0	\$ 91
Student Council	5,199	120	1,945	3,374
8th Grade	42	6,559	6,601	0
K-6th Grade	0	1,447	827	620
Band	1,192	27	436	783
Honor Choir	55	445	421	79
Peer Helpers	838	13	851	0
Cheerleaders	489	440	564	365
P.T.O. Student Assistance	303	3,666	3,383	586
Council Grove High School				
Seniors	2,688	1,157	2,119	1,726
Juniors	930	6,601	6,356	1,175
Sophomores	975	235	571	639
Freshman	0	832	832	0
Band	93	801	582	312
F.F.A.	2,413	31,986	34,566	(167)
F.F.A. - Sigle Memorial	2,820	100	1,546	1,374
F.C.A.	838	158	520	476
Kayettes	153	1,623	1,261	515
C.G. Club	449	0	449	0
F.B.L.A.	1,212	166	416	962
F.C.C.L.A.	2,151	246	287	2,110
F.A.C.S.	30	0	26	4
Art Club	2,210	618	1,419	1,409
Spanish Club	160	166	275	51
Student Senate	628	11,091	10,085	1,634
Key Club	1,488	1,244	1,952	780
Technology Club	135	1	0	136
Yearbook (Annual)	6,226	13,823	13,451	6,598
Trail Blazer	1,251	1,397	2,435	213
Cheerleaders	1,201	7,438	7,202	1,437
National Honor Society	907	998	1,082	823
Bravettes	2,865	10,167	10,515	2,517
Prairie Production	7	129	0	136
Scholars Bowl	633	1,567	2,315	(115)
Brave Voices	2,027	3,560	3,757	1,830
Helium Balloons	426	76	78	424
Peer Helpers	205	0	205	0
CG Players	1,262	4,571	3,755	2,078
Total Forward	\$ 44,592	\$ 113,468	\$ 123,085	\$ 34,975

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 4 (Cont.)

Statement of Cash Receipts and Cash Disbursements
For the Fiscal Year Ended June 30, 2010

AGENCY FUNDS

	Cash Balance 7/1/2008	Receipts	Disbursements	Cash Balance 6/30/2009
Total Brought Forward	\$ 44,592	113,468	123,085	\$ 34,975
Prairie Heights Elementary Student Council	1,018	392	267	1,143
Prairie Heights Middle School				
Pep Club	527	8	100	435
8th Grade	1,833	6,159	6,335	1,657
7th Grade	0	68	68	0
1 - 6th Grade	79	0	3	76
Band	823	64	0	887
Student Council	1,046	3,422	3,342	1,126
Total Student Organization Funds	<u>\$ 49,918</u>	<u>\$ 123,581</u>	<u>\$ 133,200</u>	<u>\$ 40,299</u>
Clearing Funds				
Council Grove Elementary/Middle School	\$ 2	\$ 11	\$ 13	\$ 0
Council Grove High School	0	2,272	2,272	0
Prairie Heights Elementary School	1	73	73	1
Prairie Heights Middle School	279	274	552	1
Total Clearing Funds	<u>\$ 282</u>	<u>\$ 2,630</u>	<u>\$ 2,910</u>	<u>\$ 2</u>
Total Agency Funds	<u>\$ 50,200</u>	<u>\$ 126,211</u>	<u>\$ 136,110</u>	<u>\$ 40,301</u>

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

Statement 5

Statement of Cash Receipts, Expenditures, and Unencumbered Cash
For the Fiscal Year Ended June 30, 2010

DISTRICT ACTIVITY FUNDS

	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts						
CGMS Student Athletics	\$ 636	\$ 11,440	\$ 10,373	\$ 1,703	\$ 0	\$ 1,703
CGHS Student Athletics	8,847	67,463	70,536	5,774	0	5,774
PHMS Student Athletics	3,170	3,876	2,753	4,293	0	4,293
Total Gate Receipts	<u>12,653</u>	<u>82,779</u>	<u>83,662</u>	<u>11,770</u>	<u>0</u>	<u>11,770</u>
School Projects						
Council Grove High School						
Vo-Ag	0	6,246	6,246	0	0	0
Art	0	2,670	1,991	679	0	679
Total School Projects	<u>0</u>	<u>8,916</u>	<u>8,237</u>	<u>679</u>	<u>0</u>	<u>679</u>
Total District Activity Funds	<u>\$ 12,653</u>	<u>\$ 91,695</u>	<u>\$ 91,899</u>	<u>\$ 12,449</u>	<u>\$ 0</u>	<u>\$ 12,449</u>

The notes to the financial statements are an integral part of this statement.

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - FUND DESCRIPTIONS

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash, and other financial resources, together with all related expenditures and residual cash balances, and changes within, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District.

Governmental Funds

General and Supplemental General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Fund--to account for the accumulation of resources for and payment of general long-term debt principal, interest and related costs.

Capital Project Fund--to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds.)

Fiduciary Funds

Trust and Agency Funds--to account for assets held in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds. These include Private Purpose Trust Funds and Agency Funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 417 was organized in accordance with State Statutes to provide a system of public education to elementary through high school students, which reside within the designated District areas. USD No. 417 is a municipal corporation governed by an elected seven member board of education. Governmental accounting standards define the financial reporting entity as a primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The basic criterion for including a potential component unit organization within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to the selection of governing authority, the designation of management, the ability to significantly influence operations, accountability for fiscal matters or the existence of special financing relationships. Based on the foregoing criteria, no financial statements of any other entity are included in the accompanying financial statements. The District does participate with other Districts in the Flint Hills Special Education Cooperative, which is administered by USD 253, Emporia, Kansas. The extent of USD 417's involvement was to pay tuition fees for students for the year ended June 30, 2010 and to participate in the board of directors by appointing a representative. The Flint Hills Special Education Cooperative is not considered to be a component unit of USD 417.

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The District as provided by Kansas Statute 75-1120a(c) has approved a resolution waiving the requirement for application of generally accepted accounting principles and allowing USD 417 to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general or revenue obligation bonds, temporary notes, capital leases and compensated absences are not presented in the financial statements.

Reimbursements

A reimbursement is an expenditure or expense initially made in one fund, but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed by other funds. In accounting for such reimbursements, USD 417 records an expenditure in the reimbursing fund, and a reduction of expenditure in the reimbursed fund.

NOTE 3 – STATUTORY PRESENTATION-COMPLIANCE WITH K.S.A. 72-6417 (d) AND K.S.A. 72-6434 (d)

K.S.A. 72-6417 (d) and K.S.A. 72-6434 (d) require the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The amounts of general State aid paid to USD 417 in July of the subsequent fiscal year and recorded as June revenue are as follows:

<u>Fund</u>	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>
General	\$458,976	\$425,277
Supplemental General	92,671	73,450
KPERS Retirement	194,459	

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 - DEFINED BENEFIT PENSION PLAN

Plan Description - USD 417, Council Grove, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to KPERS (611 S. Kansas Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member - employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. The State of Kansas contributed 8.57% of covered payroll for the period July 1, 2009 to June 30, 2010 and it will contribute 9.17% for the period of July 1, 2010 to June 30, 2011. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for school municipality employees for the years ending June 30, 2010, 2009, and 2008 were \$248,468,186, \$242,277,363, and \$220,815,154, respectively equal to the statutory required contributions for each year.

Beginning with the fiscal year ended June 30, 2005, the State began remitting to each School District the State's KPERS contribution for their District. The School Districts then remits this contribution to KPERS. USD 417 accounted for this activity through the KPERS Retirement Fund.

NOTE 5 - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), and debt service funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding eighteen month period on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

After the listed procedures have been followed, the Kansas State Board of Education computes what the maximum legal general fund budget of operating expenses can be. For the fiscal year ended June 30, 2010, the State calculation of the legal maximum general fund budget was \$5,503,260 and the Supplemental General Fund Budget \$1,600,000. In accordance with Kansas statutes, a district will be penalized state aid equal to the amount expended in excess of the computed statutory limitation plus any qualifying budget credits. The District was within its maximum legal general fund budget and its supplemental general fund budget authority for the fiscal year ended June 30, 2010.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held, and the governing body may amend the budget at that time. The District did not have any budget amendments for the fiscal year ended June 30, 2010.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 - BUDGETARY INFORMATION (CONT)

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for trust and agency funds, and the following special revenue funds: Textbook Rental, Contingency Reserve, Federal & State Grant Funds, School Improvement Fund and District Activity Funds.

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by use of internal spending limits established by the governing body.

Statement 2 presents budgetary comparison of the actual data on the budgetary basis, which includes encumbrances and transfers with the legally adopted budget. Because of tax levying dates, it is necessary that budget expenditures and revenues are estimated for an additional six-month period on its budget, which has not been included on Statement 2.

Property taxes are levied by the Kansas Counties in which the School District resides on November 1 and are payable in two installments on December 20 and May 10 of the subsequent year. The Counties collect and distribute in the succeeding year all property taxes collected for the District. Therefore, taxes levied for the District on November 1, 2010 will be distributed to the District by the County during 2011.

NOTE 6 - COMPENSATED ABSENCES AND FRINGE BENEFITS FOR FULL TIME EMPLOYEES

U.S.D. 417 maintains an Internal Revenue Code Section 125 cafeteria plan. The amount of salary to be reduced shall not exceed the sum authorized by the Internal Revenue Code. Employees may select any combination of health insurance, salary protection insurance, cancer insurance, unreimbursed medical expenses, and daycare expenses as nontaxable fringe benefits.

U.S.D. 417 contributes an amount equal to the annual premium of a single health insurance plan for certified instructional personnel. For all other employees, the benefit is prorated. For those employed prior to the 1993-94 school year, a cash option was available, allowing employees to receive the health benefit in cash less applicable withholding taxes and U.S.D. 417's obligation for social security, medicare, and unemployment. Current employees who drop their participation in the health plan will not be eligible for the cash option.

U.S.D. 417's personnel earn ten days of sick leave per contract year. Any employee who completes a year with more than sixty days of accrued sick leave will be reimbursed at twenty dollars per day for each day in excess of sixty days. Upon separation of service, any unused sick leave is lost. Instructional personnel may take two days of personal leave per year and may accumulate up to six personal days. Provisions provide for legal leave, emergency leave, sabbatical leave, leave without pay, and professional leave. These may or may not result in a deduction in pay depending on determinations from the school board. The District also has adopted a Family Medical Leave policy.

Vacation pay is earned by twelve month employees as follows: first contract year = 5 days; second to tenth contract year = 10 days; eleventh to fifteenth contract year = 15 days; and sixteenth contract year and beyond = 20 days. No more than five vacations days may be carried over each year. A grandfather provision allows some employees a greater carryover. This carryover equals the amount of vacation time accumulated as of June 30, 1999 plus five days. No estimate has been made of the total amounts of accumulated leave nor has any amount been reported in the financial statements.

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS

The District provides an early retirement program as described in the District's negotiated agreement with certified personnel. As a measure of appreciation for their services, the district offers an early retirement cash benefit. This benefit is based on the retiree's salary at the time of retirement times the combined factors of age, years of experience in USD 417, and column placement on the salary schedule. The age factor provides a 5-15% benefit; the years in the district factor add between 4-15%; and the column placement factor results in a 1-5% benefit. Employees must submit a written request to the USD 417 Board of Education prior to April 1 preceding the anticipated retirement date. To correspond with KPERS retirement dates, teachers may elect June 1, July 1 or August 1 as the retirement date. The cash benefit is paid on the retirement date into an employer sponsored 403(b) account.

The district also provides health insurance to early retirees. Those eligible include retirees less than age 60 with 10 years of continuous employment in the district and KPERS qualified 85 points for retirement. The monthly contribution amount is limited to the amount contributed to a currently employed certified teacher for membership in the district health plan. The maximum benefit is for three years. Retirees between the ages of 60 and 64 with 5 years of continuous employment in the district receive a monthly contribution amount equal to the amount contributed to a currently employed certified teacher for membership in the district health plan until the retiree reaches age 65.

The District finances these benefits on a pay-as-you-go basis. Costs associated with these benefits for the fiscal years ended June 30, 2008, 2009, and 2010 were \$51,040, \$70,654, and \$44,010 respectively, for the retiree participants. These expenditures have been included as part of the General Fund. An estimate has not been made of the total amount of post employment benefit liability of the District or reported in the financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the district under this program.

NOTE 8 - TRANSFERS

Transfers between budgetary funds are for the purpose of shifting resources from the fund legally required to receive the revenue to the fund authorized to expend the revenues. Operating transfers during the fiscal year ended June 30, 2010 consisted of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Special Education	72-6428	\$604,450
General	At Risk K-12	72-6428	608,150
General	Food Service	72-6428	8,991
General	Professional development	72-6428	20,000
General	At Risk 4 yr old	72-6428	31,635
General	Extraordinary School Program	72-6428	10,000
Supplemental General	Extraordinary School Program	72-6433	5,000
Supplemental General	Special Education	72-6433	209,000
Supplemental General	Professional Development	72-6433	22,000
Supplemental General	Vocational Education	72-6433	186,776
Supplemental General	Food Service	72-6433	58,573

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 9 - DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories that may be used by the Government. The statute requires banks eligible to hold the Government's funds have a main or branch bank in the county in which the Government is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate or return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Government's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Government has no investment policy that would further limit its investment choices.

Concentration of credit risk -- State statutes place no limit on the amount the Government may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk -- deposits. -- Custodial credit risk is the risk that in the event of a bank failure, the Government's deposits may not be returned to it. State statutes require the Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. USD 417 has not designated peak periods.

At June 30, 2010, USD 417's carrying amount of deposits was \$6,064,339 and the bank balance was \$6,421,413. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, \$826,992 was covered by federal depository insurance and \$5,594,421 was collateralized with securities held by the pledging financial institutions' agents in USD 417's name. All deposits were legally secured at June 30, 2010.

Custodial credit risk-investments-- For an investment, this is the risk that, in the event of the failure of the issuer or counter party, the Government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside part. State statutes require investments to be adequately secured.

NOTE 10 -- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Insurance claims have not exceeded commercial coverage for the past three years. There were no significant reductions in insurance coverage from coverage in prior years.

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 11- LONG-TERM DEBT

On October 9, 2009, \$500,000 of General Obligation Bonds Series 2008-A were sold at an interest rate of 2.75% and maturity date of April 1, 2009. On November 12, 2009, \$8,760,000 of General Obligation Bonds Series 2008-B were sold at interest rates of 4.65% to 6% for a net interest cost of 4.90% over the life of the bonds. The Series 2008-A bond principal of \$500,000 and interest of \$1,833 were paid off with proceeds of the Series 2008-B Bonds. The remainder of the bond proceeds is to be used to make improvements to the existing Council Grove High School, to pay interest on the bonds during construction, and to pay for the cost of issuance of the bonds. The first interest payment for the Series 2008-B was made on March 1, 2009 and the final payment of principal and interest is scheduled on September 1, 2028.

Changes in long-term liabilities for the District for the year ended June 30, 2010, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds:										
Series 2008-B	4.65-6%	11/12/2009	8,760,000	9/1/28	<u>8,760,000</u>	<u>0</u>	<u>105,000</u>	<u>0</u>	<u>8,655,000</u>	<u>442,330</u>
Total long-term debt					<u>\$ 8,760,000</u>	<u>\$ 0</u>	<u>\$ 105,000</u>	<u>\$ 0</u>	<u>\$ 8,655,000</u>	<u>\$ 442,330</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2025</u>	<u>2026-2029</u>	<u>Total</u>
PRINCIPAL									
GO Bonds	\$ 100,000	\$ 130,000	\$ 170,000	\$ 195,000	\$ 220,000	\$ 1,640,000	\$ 2,810,000	\$ 3,390,000	\$ 8,655,000
INTEREST									
GO Bonds	<u>436,693</u>	<u>430,368</u>	<u>422,117</u>	<u>412,080</u>	<u>400,668</u>	<u>1,764,376</u>	<u>1,199,201</u>	<u>356,510</u>	<u>5,422,013</u>
Total Principal and Interest	<u>\$ 536,693</u>	<u>\$ 560,368</u>	<u>\$ 592,117</u>	<u>\$ 607,080</u>	<u>\$ 620,668</u>	<u>\$ 3,404,376</u>	<u>\$ 4,009,201</u>	<u>\$ 3,746,510</u>	<u>\$ 14,077,013</u>

Morris County Unified School District No. 417
Council Grove, Kansas

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 12- 2009 FINANCIAL DATA

The amounts shown for 2009 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2010, and are not intended to present all information necessary for a fair presentation.

NOTE 13 – CAPITAL PROJECT

The District is in the process of making improvements and additions to the existing Council Grove High School. The cost of the total project is estimated at \$8,770,000. Construction, architectural and engineering cash disbursements and accounts payable from inception to date on the high school addition are \$7,283,311.

NOTE 14 - COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports, Department of Education, and interpretation by the County Attorney and legal representatives of the municipality.

The District's deposits with financial institutions were not adequately secured at all times during the year in accordance with K.S.A. 9-1402 and K.S.A. 9-1405.

Sealed bidding procedures were not strictly followed on all applicable purchases in accordance with K.S.A. 72-6760.

Management is not aware of any other statutory violations for the period covered by this audit.

Morris County Unified School District No. 417
Council Grove, Kansas

Supplement I

Private Purpose Trust Funds
Statement of Cash Receipts and Cash Disbursements - Actual
For the Fiscal Year Ended June 30, 2010

	Cash Balance 7/1/2009	Additions	Deductions	Cash Balance 6/30/2010
Council Grove Elementary				
Courtyard	\$ 108	\$ 0	\$ 0	\$ 108
Student Memorial	120	500	0	620
Council Grove High School				
Special Olympics	129	0	129	0
Bud Warneke Memorial	0	1,000	1,000	0
Prairie Height Elementary				
Jury Memorial	63	13		76
Prairie Heights Middle School				
Stahl Memorial	0	1,000	0	1,000
U.S.D. 417				
Memorials & Trusts	143	0	0	143
Flack Scholarship Fund	<u>8,677</u>	<u>1,029</u>	<u>0</u>	<u>9,706</u>
Total Expendable Trust Funds	<u>\$ 9,240</u>	<u>\$ 3,542</u>	<u>\$ 1,129</u>	<u>\$ 11,653</u>

See accompanying auditor's reports.

Morris County Unified School District No. 417
Council Grove, Kansas

Schedule of Expenditures of Federal Awards
For the year ended June 30, 2010

Federal Grantor/Pass-through Grantor Program or Cluster Title	CFDA Number	Federal Expenditures
Department of Education/Pass Through State of Kansas		
ARRA-State Fiscal Stabilization Fund	84.394	\$ 393,066
Title I	84.010	136,998
Program Improvement (1003a) grant	84.010	10,500
School Improvement - KLN mlg remb	84.010	199
ARRA Title I	84.389	72,453
Title II-A - Teacher Quality	84.367	43,604
Title II-D - Technology	84.318	1,124
ARRA Title II-D	84.386	2,765
Drug Free	84.186	2,639
Course Mapping	84.372	800
Department of Education-Pass Through Southeast Ks Ed Center		
Career Tech - Perkins	84.048	5,375
Department of Education-Direct		
Small and Rural School Grant (REAP)	84.358A	12,178
Department of Homeland Security/Pass Through State of Kansas		
School Preparedness	97.042	750
Department of Agriculture/Pass Through State of Kansas		
School Breakfast	10.553	33,152
Food Service	10.555	<u>166,852</u>
Total Federal Expenditures		<u>\$ 882,455</u>

See accompanying notes to schedule of expenditures of Federal Awards.

Morris County Unified School District No. 417
Council Grove, Kansas

Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2010

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Morris County USD No. 417 under programs of the federal government for the year ended June 30, 2010. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of USD No. 417, it is not intended to and does not present the cash receipts, cash disbursements and unencumbered cash of USD No. 417.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the statutory basis of accounting, which demonstrates compliance with the cash basis and budget laws of the State of Kansas. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the programs costs. Entire program costs, including USD 417's portion may be more than shown. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE D – SMALL RURAL SCHOOLS ACHIEVEMENT

As allowed by federal regulations, USD 417 expended for Title I activities funds from Small Rural Schools Achievement CFDA 84.358A \$12,178, Education Technology CFDA 84.318 \$1,124, Safe and Drug Free Schools CFDA 84.186 \$2,639 and Improving Teacher Quality CFDA 84.367 \$43,604.

ALDRICH & COMPANY, LLC

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Morris County USD No. 417
Council Grove, KS 66846

We have audited the statutory basis financial statements of Morris County USD No. 417, Council Grove, Kansas, as of and for the year ended June 30, 2010, which collectively comprise USD 417's financial statements and have issued our report thereon dated January 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered USD 417's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USD 417's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the USD 417's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, and described in the accompanying schedule of findings and questioned costs 2010-1 and 2010-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether USD 417's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2010-3 through 2010-5.

We noted certain matters that we reported to management of USD 417, in a separate letter dated January 26, 2011.

USD 417's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit USD 417's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, USD 417 Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aldrich & Company, LLC

Aldrich & Company LLC
Certified Public Accountants
Council Grove, Kansas
January 26, 2011

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Morris County USD No. 417
Council Grove, KS 66846

Compliance

We have audited the compliance of Morris County USD No. 417, Council Grove, Kansas, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. USD 417's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of USD 417's management. Our responsibility is to express an opinion on USD 417's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about USD 417's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of USD 417's compliance with those requirements.

As described in item 2010-5 in the accompanying schedule of findings and questioned costs, USD 417, Council Grove, Kansas, did not comply with requirements regarding activities allowed and eligibility that are applicable to its Title I program. Compliance with such requirements is necessary, in our opinion, for USD 417, Council Grove, Kansas, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, USD 417, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of USD 417, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered USD 417's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of USD 417's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-3 and 2010-4 to be

material weaknesses.

USD 417's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit USD 417's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, USD 417 Board of Education, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aldrich & Company, LLC

Aldrich & Company LLC
Council Grove, Kansas
January 26, 2011

Schedule of Findings and Questioned Costs
Morris County USD No. 417
Council Grove, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Morris County USD 417 Council Grove, Kansas.
2. Two significant deficiencies were disclosed during the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Both were reported as material weaknesses.
3. One instance of noncompliance material to the financial statements of USD 417 was disclosed during the audit.
4. Two significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133. These conditions are all reported as material weaknesses.
5. The auditor's report on compliance for the major federal award programs for USD 481 expresses a qualified opinion on its Title I program and unqualified on its State Fiscal Stabilization Fund programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as a major program included: State Fiscal Stabilization Fund – Education State Grants, Recovery Act CFDA 84.394, Title I 84.010 and Title I ARRA 84.389.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. USD 417 was not determined to be a low-risk auditee.

FINDINGS—FINANCIAL STATEMENTS AUDIT
MATERIAL WEAKNESSES

- 2010-1 Inadequate segregation of duties
Condition: There are inadequate segregation of duties with respect to the financial recordkeeping functions. The district bookkeeper and attendance center secretaries are responsible for most recordkeeping activities.
Criteria: Internal controls should be in place to segregate duties, where possible, and to monitor the duties of the bookkeeper and attendance center secretaries.
Cause: The USD is very small with the primary focus of instruction and therefore, has few administrative personnel.
Effect: Because of the lack of personnel, the bookkeeper or attendance center secretaries could cease performing some of their duties or become unable to perform them with the problem not being timely detected.
Recommendation: Procedures should be implemented to segregate duties, where possible, and to require the principals, superintendent, and board of education involvement in overseeing these assigned duties.
District response: Administrative duties will be segregated as allowed by personnel and the principals, superintendent and board of education will continue to monitor duties performed by the bookkeeper and attendance center secretaries and contract for professional assistance if necessary.
- 2010-2 Ineffective supervision of federal compliance matters
Condition: The district had one management level employee in charge of determining compliance for the Title I ARRA funds.
Criteria: Internal controls should be in place that require more than one individual to monitor compliance with program guidelines.
Cause: The district received one time additional funding for Title I programs through the ARRA program. One management level employee determined the use of the funds.
Effect: If misinterpretation of regulations were to occur, the employee could inappropriately approve program disbursements that were not program compliant.
Recommendation: Procedures should be place to ensure that one individual is not in charge of all aspects of program compliance.
District response: The District agrees with the recommendation and will not assign one individual management level or not to interpret all compliance matters. In addition, we will consult the pass through entity whenever possible.

Schedule of Findings and Questioned Costs
Morris County USD No. 417
Council Grove, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

DEPARTMENT OF EDUCATION

2010-3 State Fiscal Stabilization Fund–Education State Grants, Recovery Act CFDA 84.394; Grant period-Year ended June 30, 2010

Material Weaknesses. The material weaknesses at findings 2010-1 and 2010-2 also apply to this grant.

2010-4 Title I CFDA 84.010 and Title I ARRA 84.389; Grant period-Year ended June 30, 2010

Material Weaknesses. The material weaknesses at findings 2010-1 and 2010-2 also apply to this grant.

2010-5 Title I ARRA CFDA 84.389; Grant period-Year ended June 30, 2010

Statement of Condition: Title I ARRA funds were used to fund a full time teaching position, however, only part of the day was for the instruction of eligible targeted children.

Questioned cost: \$39,032

Criteria: For the year ended June 30, 2010, the district operated a targeted assistance program. This program requires the use of funds only for programs that are designed to meet the needs of children identified by the school as failing, or at the most risk of failing, to meet the State's challenging student academic achievement standards.

Cause: ARRA funding was a new funding source for the district and perceived as a one time funding source. One management level employee determined that the salary of one teacher was a qualifying program expenditure. No other personnel reviewed the expenditure for compliance.

Effect: The cost of the teacher's wage during the portion of the day in which non-targeted, non-eligible students were served may be disallowed.

Context: The teacher spent approximately 30% of her instructional time with targeted, eligible children and the other 70% of her time instructing non-targeted, non-eligible students in a non-served attendance center. Seventy percent of her salary and benefits charged to the program, as well as substitute teaching time during her absence, results in a questioned cost of \$39,032.

Recommendation: The district should implement procedures to ensure that even with programs that are perceived to be a one time occurrence, one employee is not responsible for all compliance decisions.

Response: The district agrees with the finding and has been in contact with the Kansas Department of Education. In addition, procedures are being developed to ensure that one employee is not solely responsible for compliance issues.